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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, March 1

NIHON KEIZAI (Page 2) (Full)
March 2, 2006

10:36

Signed a get-well book for the hospitalized Prince Mikasa at the prince's residence in Motoakasaka.

10:46

Returned to Kantei.

11:30

Met Cabinet Office Vice Minister Erikawa and Decoration Bureau Director General Katsuno.

12:39

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Met Education Minister Kosaka.

14:01

Met LDP Secretary General Takebe, followed by National Police Agency Secretariat Chief Ando, Justice Ministry Correction Bureau Director General Onuki, and Japan Coast Guard Vice Commandant Hirata.

15:52

Met Diet Affairs Committee Chairman Hosoda, Diet Affairs Committee Principal Director Murata, and Lower House Rules and Administration Committee Chairman Sata.

16:32

Met Administrative Reform Minister Chuma, Administrative Reform Promotion General Secretary Matsuda, and others.

17:02

Hagi Mayor Nomura in the presence of Chief Cabinet Secretary Abe, followed by Internal Affairs and Communications Minister Takenaka.

19:03

Offered condolences for the death of former Agriculture Minister Mutsuki Kato at the minister's residence.

19:30

Returned to his residence.

4) Iranian foreign minister indicates plan to continue uranium enrichment activities for research purposes in the nation

ASAHI (Page 3) (Full)
March 2, 2006

Responding to an interview with the Asahi Shimbun yesterday, visiting Iranian Foreign Minister Manouchehr Mottaki said that Iran would continue small-scale uranium-enrichment activities for research purposes within the nation even if it accepts a Russia proposal. Prior to the regular board meeting of the International Atomic Energy Agency (IAEA) starting on March 6, Mottaki thus underscored that Iran has the right to use nuclear materials for peaceful purposes. An array of difficulties are foreseen in negotiations on Iran's nuclear issue.

Foreign Minister Mottaki emphatically said: "The right to have nuclear techniques should be recognized." The Russia proposal has drawn attention as measures to break the impasse on the issue by shifting Iran's enrichment activities to Russia. Mottaki, though, commented that "Iran will continue in the nation even under any circumstances" such small-scale enrichment activities as those resumed in February in a laboratory.

Russia and Iran started the fourth round of talks on March 1. Here, too, heated negotiations are expected because the Russia proposal is premised on a plan for Iran to completely freeze its enrichment activities in the nation. Mottaki said: "The focus in the talks is on where activities should be moved and how long." It has been reported that commercial-based enrichment activities to extract nuclear fuel will be subjected to the transfer plan."

As for the period of transfer, a Russian newspaper reported:

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"Iran hopes for two years or less," but Mottaki said: "We have asked that the period should be as short as possible." He indicated that enrichment activities for commercial purposes should be returned to Iran in the end.

Regarding the international community's concern that Iran might use nuclear materials for military purposes, Mottaki commented: "There is no place in Iran's defense policy for nuclear weapons to exist," adding: "We are ready to accept inspections based on IAEA rules."

5) Iran's foreign minister seeks to check Japan's cooperation in imposing nuclear-related sanctions

NIHON KEIZAI (Page 1) (Full)
March 2, 2006

Iran's Foreign Minister Mottaki, who is now visiting Japan, gave an interview in Tokyo yesterday to this newspaper in which he stressed, "Friendly relations is the basis for economic cooperation," referring indirectly to that country's nuclear development issue. The foreign minister's remark may be taken as trying to constrain Japan from cooperating with possible sanctions against Iran that the US is considering, and as a hint that if Japan joints such sanctions, there would be a possibility that Iran would reconsider such economic cooperation with Japan as the oil field development project.

Mottaki pointed out: "President Bush's policies instead of managing crises are inviting new crises." He expressed his view that even if US-led sanctions were imposed on Iran, they would not be effective.

Japan relies on Iran for 14% of its oil imports, and in 2004, it acquired a 75% interest in a project to develop Iran's Azadegan oil field. The foreign minister noted, "The Azadegan oil field is a project that symbolizes the cooperation between our countries." He expressed his expectation for quick development of the field, and he stated, "We are giving priority to inviting in investment from Japan, and we are now considering such incentives as government guarantees." He indirectly urged Japan in this way not to take a hard-line stand on the nuclear issue.

6) North Korea transfers bank accounts to China, then changes banks a number of times; Is it trying to escape pursuit of its money laundering?

SANKEI (Top Play) (Full)
March 2, 2006

According to several Japanese and US government sources, North Korea, following the financial sanctions imposed by the US government over its laundering money using a banks in Macau, transferred its bank accounts to a number of banks in China and then switched banks several times. Washington and Pyongyang are scheduled to hold talks on the financial sanctions in New York on Mar. 7. During the talks, the US government will likely strongly call on North Korea to stop its illegal financial activities.

North Korea started switching around its bank accounts from around last October. Deputy Assistant Secretary of the Treasury Grazer visited Japan in Jan. to investigate North Korea's money-

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laundering activities. He reportedly discussed the issue with Japanese officials on that occasion. According to authorities concerned, following the US sanctions, North Korea informed an organization in Japan under its control of the transfers of bank accounts to be used for their remittances, providing account numbers it holds with a number of banks in China. Though the officials did not reveal the names and locations of the banks, they said that those banks include a European bank's branch.

One official noted, "North Korea has changed its bank accounts about once a month. It may be doing so in order to prevent the US from tracking the money or could be unable to obtain full cooperation from banks where it opened accounts.

Illegally made profits reach 500 million yen a year

Sources of funds for money laundering by North Korea are believed to be profits made on illegal activities, such as the printing of bogus US dollar notes and drug trading.

According to the Sep. 2005 edition of the US government Federal Register, the US government confiscated 45 million dollars (approximately 5.2 billion yen) worth of 100-dollar "super notes" printed by North Korea over the past 30 years. It is estimated that Pyongyang earned 500 million dollars a year (approximately 58 billion yen) through criminal acts, including drug trading. The US government insists that it has substantial evidence that shows North Korea is laundering profits made on such illegal activities through a bank in Macau. It claimed that Banco Delta Asia received hard cash, including fake dollar notes, for over two decades and allowed these to be circulated.

The US Department of the Treasury last September designated the bank as a principal bank feared to be involved in money laundering by North Korea in line with the Patriot Act, a law established after the Sept. 2001 terrorist attacks, and placed a ban on its business transactions with US banks.

North Korea is calling for the removal of the sanctions, claiming that it has nothing to do with the bogus money circulation. The US has taken similar measures against banks in Syria and Burma in order to prevent the outflow of illegal funds to terrorists and illegal financial activities by foreign governments, taking the position that the law is targeted not at a specific administration but illegal activities.

7) Government, ruling party members react fiercely to South Korean president's speech, calling it "lacking future-oriented approach"

YOMIURI (Page 4) (Full)
March 2, 2006

A number of officials in the government and the ruling parties have voiced dissatisfaction at remarks made by South Korean President Roh Moo Hyun in a speech yesterday. Roh delivered the speech to mark the 87th anniversary of Korea's March 1 Independence Movement. A senior Foreign Ministry official commented: "The speech lacks a future-oriented approach. There was no reference to or evaluation of Japan's record over the 60-year postwar period."

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Asked by reporters about the South Korean president's criticism of his visits to Yasukuni Shrine, Prime Minister Koizumi replied: "It is reasonable for any country to pay tribute to its war dead."

In the speech, Roh also remarked: "If Japan aims to become an ordinary country and one of the world's leading nations, it should try to win the trust of the international community, instead of seeking to amend laws and reinforce its military power." Government and ruling party members, taking this comment as intended to apply pressure on Japan's moves to amend its

constitution, fiercely reacted to it.

Chief Cabinet Secretary Abe expressed his strong displeasure at the remark, saying: "What we do with our Constitution is a matter to be handled by Japan. This is indisputably our domestic issue."

New Komeito leader Kanzaki said: "It is important for Japan to thoroughly discuss a revision of the Constitution without being influenced by foreign countries." He added: "We should not revise the Constitution into one that will pose a threat to neighboring countries on the military front."

8) East China Sea gas field: China's new proposal likely to come into focus at upcoming senior working-level talks slated for March 6

YOMIURI (Page 2) (Excerpts)
March 2, 2006

Japan and China have decided to hold senior working-level talks on explorations of natural gas fields in the East China Sea in Beijing on March 6-7. The focus of the first formal bilateral talks in five months is what proposal China will come up with about joint gas field development. Another focus is whether Trade Minister Nikai's recent dialogue in China with its leaders, including Premier Wen Jiabao, will have a favorable effect on the upcoming talks.

Attention

China has refused to recognize the equidistance line between Japan and China as the boundary and consistently maintained the position that it is exploring gas fields in undisputed waters, which, however, are located around the equidistant line as claimed by Japan. In the previous round of talks in last September, Japan proposed joint development of four gas fields, including "Shirakaba" or Chunxiao in Chinese, near the median line, but there has been no response from China.

In informal talks this January, China frowned on Japan's proposal, but stated: "Considering Japan's proposal, we will come up with a new suggestion." China is less likely to recognize the equidistance line, given its boundary issue with other nations over, for instance, the Spratly Islands, but how far China's new proposal will refer to about joint development is likely to draw international attention.

Flexible

When Nikai met with Wen in February, the two leaders did not exchange in-depth views over the gas field issue, but agreed on

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some plans, for example, to host a forum aimed at promoting cooperation in the areas of energy saving and the environment in Tokyo in late May. Nikai's China visit set the stage to mend the currently chilly relations with China.

The initial timetable for the upcoming working-level talks was that they would be held in October of last year. And in the informal talks this past January, such working-level talks were scheduled to occur sometime from late January to mid-February, but they were not realized. Thus the working-level talks have been delayed without any clear reasons and time has been wasted to date.

9) 4-nation poll: One-fourth of Chinese, South Korean high school students like Japan; US stands at 40%, China at 10% among Japanese students

MAINICHI (Page 2) (Abridged)
March 2, 2006

In China and South Korea, only one-fourth of high school students like Japan, a sign that Japan's bilateral relationships with these two countries have soured, according to findings from a

poll released yesterday by the Japan Youth Research Institute, a Shinjuku-based think tank. However, the levels of liking for Japan among high school students in China and South Korea were higher than that for these two countries among Japanese high school students. The poll also found that over 70% of Chinese and South Korean high school students eager to improve their results at school, while the proportion of Japanese high school students hoping to do so was only 30%.

The survey was conducted from October through December last year in Japan, the United States, China, and South Korea. For the survey, a total of 7,300 high school students were chosen in the four countries. In the survey, they were asked if they like Japan. In the United States, "yes" accounted for 45.2%, topping all other countries. In China and South Korea, the pro-Japan figure was respectively at 24.5% and 24.0%.

In Japan, 39.6% chose the United States as a country they like, followed by South Korea at 16.7% and China at 10.2%. Japan and the United States were popular among each other's high school students. Respondents were also asked if they like Japanese comics or animations. In response to this question, 73.3% answered "yes" in China, and 81.4% in South Korea. Among those who like Japanese TV programs or books, the degree of liking for Japan rose to 40.5% and 39.1% in South Korea. Among those who have ever been to Japan, the figure was even higher, reaching 48.6% in China and 40.3% in South Korea.

10) Gloomy outlook hangs over Japan's plan to begin withdrawing GSDF troops from Iraq

TOKYO SHIMBUN (Page 2) (Full)
March 2, 2006

Dark clouds are hanging over Japan's plan, now in its final phase, to withdraw Ground Self-Defense Force (GSDF) troops from Iraq. The reason is because with the religious conflict between Shiite Muslims and Sunnis intensifying, there is no telling when Iraq can install a legitimate government. Although the government

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intends to begin pulling the GSDF out of Iraq later this month and finish up in May, if tensions grow further in Iraq, the planned withdrawal may be delayed.

The religious conflict was triggered by the bombing on Feb. 22 of the Al Askari Mosque, a key Shi'a shrine, in the central Iraqi city of Samarra. The bombing triggered a series of bloody conflicts between Shiites and Sunnis in Baghdad and other cities, producing a large number of victims. Shiite residents of Samawah where GSDF troops are stationed have also staged a massive protest.

A senior GSDF officer said, "Suppressed hostility toward each other has exploded. Iraq may fall into a state of civil war." Following the legislative election in December, talks have been held with the aim of establishing a grand coalition encompassing all religious and ethnic groups. But achieving that goal at an early date seems extremely difficult.

The Japanese government has been making preparations for the planned GSDF withdrawal based on progress in the political and security situations in Iraq. But the environment surrounding Iraq has now completely changed. A government source lamented, "Although the establishment of a legitimate government is not a condition per se, we cannot pull troops out of Iraq when there is no prospect for it."

British and Australian forces that have been conducting security duties in Samawah have also studied plans to leave the country after transferring powers to local security authorities. Unable to transfer powers under the unstable situation in Iraq, their plans may also have to be shelved. That would make it even more difficult for the SDF to leave the country.

In a working-level talks held between Japan, the US, Britain, and

Australia, the government presented a plan to begin withdrawing the GSDF in late March. The government also plans to allow the Air Self-Defense Force to continue its Kuwait-based transport mission with more airlift hubs. Such plans of Japan obtained the understanding of other countries.

But the working-level meeting discussed each country's withdrawal plan on the assumption that Iraq would soon install a legitimate government. However, given the increasingly unstable security situation in Iraq, each country may reexamine their troop structure.

The government has been making arrangements for Prime Minister Junichiro Koizumi to formally announce the withdrawal in mid-March or later. Given the murky outlook for the security situation in Iraq, though, the government will likely find it difficult to make such a decision.

11) Mayor accepts Iwakuni redeployment plan

YOMIURI (Page 4) (Full)
March 2, 2006

The town of Yu, which neighbors the city of Iwakuni in Yamaguchi Prefecture, has accepted the planned redeployment of US carrier-borne fighter jets from the US Navy's Atsugi base, which is located across the city of Yamato and other municipalities in

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Kanagawa Prefecture, to the US Marine Corps' Iwakuni base in the city of Iwakuni. The town's mayor, Toshimitsu Makimoto, visited Defense Agency Director General Nukaga, Chief Cabinet Secretary Abe, and other government officials yesterday, and the mayor handed a written petition regarding the planned realignment of US forces in Japan. "We are opposed to a further buildup of the base," the petition says. However, the petition also notes, "We cannot say our living environment will be further affected along with the realignment." With this, the petition shows the town's de facto acceptance of the redeployment of carrier-borne fighters to the base. The petition, however, conditions the town's acceptance on an expanded package of economic stimulus measures from the government for base-hosting local communities. Meanwhile, Iwakuni City is scheduled to poll its residents on March 12 to ask them whether to accept the redeployment.

12) GSDF also leaked info for bid rigging

NIHON KEIZAI (Page 43) (Full)
March 2, 2006

The Ground Self-Defense Force was recently found to have rigged bids for dry cells ordered for its communication equipment. In this bid-rigging case, GSDF officials had leaked information, such as estimated prices, to battery makers, the Defense Agency found yesterday from its internal investigation. The agency is considering punitive measures for those GSDF officials.

According to the Defense Agency, administrative officials and GSDF personnel assigned to the GSDF Central Supply Command provided budget memos describing quantities and unit prices to battery-manufacturing companies' officials from April 1996 through March 1999. Around 1997, an administrative official of the GSDF Communication Supply Command (currently the Kanto Supply Depot), when asked by officials from battery makers, told them that the estimated price would be the same as last year's.

In December 2000, the Fair Trade Commission warned four battery-manufacturing companies against their violation of the Antimonopoly Law. The four companies are Fuji Denki Kagaku Co., Ltd. (FDK), Matsushita Electric Industrial Co., Ltd., Toshiba Battery Co., Ltd., and Toyo Takasago Dry Battery Co., Ltd. (Tokan).

In November 2004, the Defense Agency instituted a lawsuit at the Tokyo District Court, claiming back approximately 700 million yen as an unreasonable profit.

In July last year, the four companies stated before the court that the Defense Agency rigged the bids on its own initiative. They submitted budget memos from Central Supply Command officials describing items and prices.

However, the Defense Agency comments: "They were asked by the makers to provide that information. The Defense Agency did not initiate the bid rigging."

13) Lower House to approve FY2006 budget bill today

YOMIURI (Page 4) (Full)
March 2, 2006

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The House of Representatives Steering Committee decided in its board meeting yesterday to take a vote on the budget bill for fiscal 2006 at a Lower House plenary session this evening. The bill is likely to be approved by a majority from the ruling parties and sent to the House of Councillors.

The budget bill is now certain to be enacted by the end of this fiscal year. Based on constitutional rules, if the bill passes the Lower House today, it will be enacted at 12:00 a.m. on Apr. 1 even without voting at the Upper House.

14) Minshuto's Tokyo Metropolitan Assembly members demand resignation of lawmaker Nagata, Local chapters express unhappiness with the party executive's response

TOKYO SHIMBUN (Top Play) (Full)
March 2, 2006

The main opposition party Minshuto (Democratic Party of Japan) started yesterday the work of picking the replacement of Yoshihiko Noda, who quit his post as the party's Diet affairs chief to take responsibility for disrupting the Diet by giving party lawmaker Hisayasu Nagata the go-ahead to bring up an e-mail allegedly sent from Livedoor Co. founder Takafumi Horie ordering his staff to transfer money to Liberal Democratic Party (LDP) Secretary General Tsutomu Takebe's son. After deciding on what

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punitive measures to impose, Minshuto is now putting energy into quelling internal party disorder. However, Akihiko Nakamura, secretary general of Minshuto's Tokyo Metropolitan Assembly

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members, and other assembly members called on Minshuto's Secretary General Yukio Hatoyama at party headquarters to hand

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over a letter demanding the resignation of Nagata from the Diet.

The letter included such charges as that the party would otherwise never secure public understanding and that party leaders did not realize the seriousness of the situation. The assembly members wanted Nagata to voluntarily give up his Diet seat. Hatoyama responded by saying, "I would like to do my best to restore public confidence in the party in consideration of your views."

The party executive will explain in a meeting on March 4 the punitive measures they have decided and seek party members' understanding. Party regional chapters will inevitably intensify criticism of the party's responsibility for the e-mail uproar.

Party President Seiji Maehara is now working on the selection of new Diet affairs chief. He has already asked former party head Naoto Kan and Vice President Yoshiaki Takagi to assume the post, but both Kan and Takagi turned down the offer. He intends to pick Noda's successor from veteran lawmakers based on an advice by a senior party member that it would be desirable to pick a person with the experience of dealing with Diet affairs since the

personnel change came during deliberations on the fiscal 2006 budget.

The party has decided to set up a taskforce headed by Acting Secretary General Koichiro Genba to examine the party executive's

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response to the e-mail issue and to look into measures to prevent a recurrence. The taskforce will hold its first meeting today. It will come up with a report by the end of March after hearing views of experts on crisis management.

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15) Livedoor e-mail uproar: Minshuto President isolated in party due to resignation of Noda as Diet affairs chief

MAINICHI (Page 2) (Excerpts)
March 2, 2006

Minshuto (Democratic Party of Japan) Diet Affairs Committee Chairman Yoshihiko Noda stepped down from his post to take responsibility for throwing the Diet into confusion by allowing false allegations to be raised in the Diet by lawmaker Hisayasu Nagata. However, coordination on the selection of Noda's successor has run into trouble. The situation reflects the fact that Minshuto President Seiji Maehara is now isolated in the party. While the party leadership losing momentum, other internal forces have begun distancing themselves from Maehara by refusing his offer to assume the party's Diet Affairs Committee chairmanship. Given this situation, Maehara is busy trying to coordinating views in the party.

"I would like to fulfill my duty until my successor is picked," said Noda in a meeting yesterday of the party's Diet Affairs Committee members. His remark impressed that the party was having a difficult time in selecting Noda's replacement.

Secretary General Yukio Hatoyama told reporters yesterday

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morning, "We want to pick the replacement today," but he said later in the day, "It has not been that easy."

Maehara is trying to give top priority to internal harmony by installing in the vacant post a veteran lawmaker, and not a mid-level or junior member. While communicating with Secretary General Hatoyama, Maehara called up several candidates to offer the post. However, his offer was rejected by former party head Naoto Kan on Feb. 28 and by Vice President Yoshiaki Takagi, of the now defunct Democratic Socialist Party, on March 1. A mid-level lawmaker commented that nobody wanted to board a sinking ship.

Maehara's advantage is that he is not obsessed with preserving internal harmony. He has the support of junior lawmakers because of his motto to "break the shackles." But the fact that he let only a few persons know about a copy of the e-mail in question has worked against him. His party management supported by mid-level and young lawmakers has now come under fire in the party.

SCHIEFFER